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April 18, 1997

Hon. Reed Hundt
Chairman
Federal Communications Commission
1919 M. Street, NW
Washington DC 20554

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| Post-it* Fax Note | 7671 | Date | # of pages ▶ |
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MAY 22 1997

Re: Ex parte comments in CC. Docket No. 96-45

Federal Communications Commission
Office of Secretary

Dear Chairman Hundt:

These ex parte comments are submitted only for myself. I do not write on behalf of the Montana Public Service Commission. These comments briefly address the substance of key decisions before the Federal Communications Commission. They also address the procedure for making future decisions, emphasizing the role of the Federal-State Joint Boards as the focus for federal-state cooperation.

Substantively, all actions should be taken in a manner which both promotes competition and protects customers. The FCC should shape the transition to competition so that consumers will be able to benefit from competition and are not adversely affected by changes occurring as a result of the 1996 Act.

Procedurally, the Universal Service and Separations Joint Boards are the primary methods for continued federal and state cooperation on Telecommunications Act implementation, supplemented by other formal and informal means. These two positions underlie all of the following statements.

- A. Section 254(a)(2) requires the Commission to complete a proceeding implementing the Universal Service Joint Board recommendations by May 8, 1997, which proceeding includes a definition of services supported and a specific timetable for implementation, and further requires the FCC to complete implementation proceedings on future universal service Joint Board recommendations within one year. The FCC should establish a specific implementation plan to move the telephone industry to the world of competition envisioned by the 1996 Telecommunications Act. The implementation plan should:

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1. Promptly implement those actions which are required or necessary, and clearly set out a schedule for addressing and resolving any items not finalized.
 2. Address the relationship between universal service and other topics, including access reform, separations, and examining treatment of historic costs.
 3. Determine a basis for measuring large company costs, and specifically address large high cost study areas, consistent with 47 U.S.C. 254(b)(5), which requires that those in rural, insular, and high cost areas have access to telecommunications and information services at rates that are reasonably comparable to rates charged for similar services in urban areas.
 4. Protect customers from excessive rate increases.
 5. Provide industry participants sufficient information to continue their own business plans.
- B. Responsibility for creating, sizing and defining sources of funding for a permanent high cost support mechanism is shared jointly by the FCC and state commissions.
1. Each of the proxy models filed in the proceeding has flaws that prevent its use as part of the mechanism for defining and sizing universal service high cost support. State and federal regulators should work together to craft a mechanism for defining and sizing universal service high cost support that meets the goals of Section 254.
 2. Specifically, the Federal-State Joint Board should be reconvened to develop an appropriate proxy model or other costing methods; monitor subscribership and other issues concerning low income customers; consider effects on service quality; and other matters as may be necessary.
- C. The FCC should maintain support for small and rural incumbent LECs and their customers during this transition period, as outlined in the State Joint Board Members' Report on the Use of Proxy Models (March 26, 1997).
- D. The FCC should implement a program for schools and libraries generally consistent with the Joint Board's recommendation, with any appropriate modifications based upon comments received.

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- E. The FCC should implement a low income program, as outlined in the Report of the State Joint Board Members on Low-Income Services (March 24, 1997).
- F. Federal and state regulators should coordinate universal service implementation and other actions to ensure appropriate cost recovery and avoid over-recovery of costs.
- G. End-user surcharges are generally not a desirable way to recover costs, as stated in the State Joint Board Members' Report on Universal Service - Comments on Recovery Mechanism for Universal Service Contributions (April 8, 1997).
- H. Universal service and access reform are two of several closely-related topics. To the extent the two proceedings are successfully coordinated, short-term pressure on the High Cost Fund may be reduced. Both subjects must be addressed systematically over the longer-term.

I am aware of and appreciate your efforts to inform and work with the Congress, state public utility commissions, industry and consumer groups. I appreciate the FCC's hard work in this important area. I look forward to working with you and the FCC on these and other matters.

Sincerely,

Bob Rowe